



County of Los Angeles CHIEF EXECUTIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION
LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

May 20, 2008

To: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to read "W. T. Fujioka", is written over the printed name and title.

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

DOCUMENT STORAGE CONTRACTS FOR OFF-SITE STORAGE AND RETRIEVAL SERVICES

This is to advise your Board of a recent contracting policy conformance issue which has been identified regarding services the County receives for off-site storage and retrieval of County records. A review conducted by the Auditor-Controller (Auditor) has determined that a lack of understanding regarding use of Blanket Purchase Orders (BPOs) has resulted in several departments continuing to procure records storage services via BPO exceeding County policy on delegated authority. This memorandum describes the nature of the issue and the remedial actions this Office, in collaboration with the Auditor, County Counsel, and the Internal Services Department (ISD), will be pursuing.

Nature of the Situation

For more than a decade, several County departments that do not have the infrastructure, resources, or space to store and retrieve their files and documents have independently procured with Iron Mountain or File Keepers for these services. Two recent departmental requests for sole source Purchasing Agent (PA) agreements for these services revealed that they have been using BPOs to pay for ongoing services, which, when aggregated, exceed their delegated authority and were or were about to exceed the PA's statutory services contracting limit of \$100,000. An eCAPS report generated by the Auditor revealed that \$350,000 out of \$3.8 million in payments to Iron Mountain and File Keepers in 2006-07 were issued under BPOs, with the remaining payments properly authorized by Board contract.

In addition to this oversight, it was found that acquisition methods for these services have been inconsistently applied resulting in varying rates, terms, and conditions among County departments, as well as the loss of savings via volume purchasing.

While BPOs are an instrumental part of the County's acquisition process by providing departments with the autonomy and flexibility to conduct their daily operations, they are vulnerable to non-compliance issues. Department-related BPOs translate into thousands of

associated transactions every year and enforcement can only be accomplished through policy oversight. Based on the nature of these transactions, non-compliance is primarily discovered when issues are surfaced (as in this case), or during a detailed departmental procurement audit. With the recent implementation of the eCAPS financial system and Cognos reporting tool, the County will be better able to dissect, delineate, and report on departmental BPO transactions. In this regard, ISD is working with the Auditor to define report criteria.

Action to be Taken

As a result of the contracting issue explained above, the critical need to continue using off-site storage services and the necessity to address the long-term issue of records management, this Office intends to pursue the following course of action:

1. For the immediate term, instruct the Acting Director of Internal Services to coordinate and issue "Confirming Purchase Orders," as indicated below, which will release payments currently held in abeyance for services provided by Iron Mountain and File Keepers, and to address prospective payments pending the action outlined below under Item No. 2.

IRON MOUNTAIN	AMOUNT	FILE KEEPERS	AMOUNT
Alternate Public Defender	\$4,452.84	Mental Health	\$3,492.55
Assessor	\$26,000.00	Regional Planning	\$6,021.23
Auditor-Controller	\$6,991.50		
Chief Executive Office	\$5,966.16		
Community and Senior Services	\$5,000.00		
Human Resources	\$17,165.16		
Olive View - Health Services	\$1,350.00		
Total	\$66,925.66		\$9,513.78

2. Seek your Board's approval to authorize this Office to execute short-term sole source master agreements with Iron Mountain (\$167,000) and File Keepers (\$60,000) for off-site storage and retrieval services for County departments' records. Both sole source contracts will be for a one-year term with an additional one-year renewal option (if required), not to exceed the total annual amount of \$227,000. Each department is provided with a specific allocation based on their 2006-07 spending pattern, see below.

IRON MOUNTAIN	AMOUNT	FILE KEEPERS	AMOUNT
Alternate Public Defender	\$47,000.00	Mental Health	\$16,000.00
Auditor-Controller	\$52,000.00	Regional Planning	\$38,000.00
Chief Executive Office	\$42,000.00	T&TC	\$6,000.00
Community and Senior Services	\$12,000.00		
Human Resources	\$6,000.00		
Olive View - Health Services	\$8,000.00		
Total	\$167,000.00		\$60,000.00

This action will ensure uniformity and consistency of rates, terms, and conditions across County departments, as well as consolidate County resources pursuing the same goal, achieving savings through both volume purchases and staff resources. This mid-term

step will provide time for the County to pursue the long-term action identified below under Item No. 3.

3. For the long-term, conduct a broad-scale, competitive solicitation for Master Agreements for document storage and related services that would be available to all departments requiring those services. This approach will ensure the County receives the best service for the most competitive price and will serve as a time-saving and valuable resource to departments by eliminating the need for individual departments to conduct separate, formal solicitation processes. This longer term approach will also allow the County to incorporate the findings and recommendations resulting from the upcoming County Records and Archives Study, particularly as they relate to specific storage and destruction protocols and increased electronic storage.

We will proceed with the foregoing course of action unless otherwise instructed. Please let me know if you have any questions or your staff may contract contact Deputy Chief Executive Officer Ellen Sandt at (213) 974-1186 or Acting Auditor-Controller Wendy Watanabe at (213) 974-0729.

WTF:ES:MKZ
JR:KLG:pg

c: Acting Auditor-Controller
 County Counsel
 Interim Chief Information Officer
 Interim Director of Internal Services